

August 19, 2004

D.T.E. 03-73

Petition of Blackstone Gas Company, pursuant to G.L. c. 164, § 69I, for approval by the Department of Telecommunication and Energy of its Long-Range Forecast and Supply Plan for the period 2003 through 2008

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I. INTRODUCTION AND PROCEDURAL HISTORY

On July 31, 2003, pursuant to G.L. c.164, § 69I, Blackstone Gas Company (“Blackstone” or “Company”) filed with the Department of Telecommunications and Energy (“Department”) a petition for approval of its long-range forecast and supply plan for the five-year period January 1, 2003 through December 31, 2008. The matter was docketed as D.T.E. 03-73. Blackstone is a local distribution company (“LDC”) providing natural gas sales and distribution services to approximately 1,100 residential, commercial and industrial customers in Massachusetts.

Pursuant to a notice duly issued, the Department conducted a public hearing at the Department’s offices on September 30, 2003. The Attorney General of the Commonwealth (“Attorney General”) filed a Notice of Intervention pursuant to G.L. c. 12, § 11E on September 23, 2003. After reviewing the Company’s filing and responses to Information Requests, the Department and the Attorney General had no further questions regarding the Company’s Forecast and Supply Plan. All the Department, Attorney General and Company agreed that an evidentiary hearing was unnecessary. The evidentiary record consists of thirteen exhibits, including the Forecast and Supply Plan. On its own motion, the Department admitted into evidence the Company’s gas contract with Duke Energy as Exhibit BGC-2. (The Department previously admitted into evidence and approved the gas contract in D.T.E. 00-71.)

II. ANALYSIS OF THE LONG-RANGE FORECAST

A. Standard of Review

Pursuant to G.L. c.164, § 69I, the Department is required to ensure “a necessary energy supply for the Commonwealth with a minimum impact on the environment at the lowest possible cost.” In accordance with this mandate, the Department reviews the long-range forecast of each gas utility to ensure that it accurately projects the gas sendout requirements of the utility’s market area. G.L. c. 164, § 69I. A forecast must be based on accurate and complete historical data, and reasonable statistical projection methods. G.L. c. 164, § 69I; 980 C.M.R. § 7.02(9)(b). Such a forecast should provide a sound basis for resource planning decisions. Colonial Gas Company, D.P.U. 96-18, at 4 (1996); Bay State Gas Company, D.P.U. 93-129, at 5 (1996); Holyoke Gas and Electric Department, D.P.U. 93-191, at 2 (1996); Berkshire Gas Company, 16 DOMSC 53, 56 (1987) (“1987 Berkshire Gas Decision”).

In its review of a forecast, the Department determines if a projection method is reasonable based on whether the methodology is: (a) reviewable, that is, contains enough information to allow a full understanding of the forecast methodology; (b) appropriate, that is, technically suitable to the size and nature of the particular gas company; and c) reliable, that is, provides a measure of confidence that the gas company’s assumptions, judgments, and data will forecast what is most likely to occur. Colonial Gas Company, D.P.U. 96-18, at 5 (1996); Bay State Gas Company, D.P.U. 93-129, at 5 (1996); Holyoke Gas and Electric Department, D.P.U. 93-191, at 2 (1996); Haverhill Gas Company, 8 DOMSC 48, 50-51 (1982).

Specifically, the Department examines a gas company’s: (1) planning standards, including its

weather data; (2) forecast method, including the forecast results; and (3) derivation and results of its design and normal sendout forecasts. See Colonial Gas Company, D.P.U. 96-18, at 5 (1996); Bay State Gas Company, D.P.U. 93-129, at 5-6 (1996); Colonial Gas Company, D.P.U. 93-13, at 6 (1995); see also Boston Gas Company, D.P.U. 94-109 (Phase 1), at 9 (1995). As part of the review of the forecast, the Department also examines the company's scenario analysis, which is used for evaluating the flexibility of the company's planning process, including any cold-snap analysis¹ and sensitivity analysis. 1992 Boston Gas Decision at 200; see Bay State Gas Company, D.P.U. 93-129, at 23-25, 33 (1996) and Boston Gas Company, D.P.U. 94-109 (Phase 1), at 61-66 (1995)

B. Previous Sendout Forecast Review

The Company's previous Forecast and Supply Plan, Blackstone Gas Company, D.T.E. 00-81, was approved on May 4, 2001. In its decision, the Department approved the Company's long-range forecast, but directed the Company to refine its sendout forecast in its next forecast and supply filing by developing variables that explain customer usage and seasonal variation in greater detail in its next filing. Blackstone Gas Company, D.T.E. 00-81, at 21.

¹ A cold-snap is a prolonged series of days at or near design conditions. Colonial Gas Company, D.P.U. 03-13, at 66 (2003); Boston Gas Company, DOMSC 116, 217 (1992) ("1992 Boston Gas Decision"); Commonwealth Gas Company, 17 DOMSC 71, 137 (1998) ("1998 Commonwealth Gas Decision"). The purpose of a cold-snap analysis is to test the ability of the Company's portfolio to respond to prolonged extreme conditions. Colonial Gas Company, D.T.E. 98-90, at 3 n. 4 (2000). For a small company, such as Blackstone, this type of analysis is not necessary. See, Administrative Bulletin, EFSC 86-1-16 (1986).

C. Planning Standards

The Department assesses an LDC's planning standards in order to determine if they are reviewable, appropriate and reliable. D.P.U. 96-18, at 5; D.P.U. 93-129, at 5; D.P.U. 93-191, at 2. A company's planning standards are used as a basis for projecting its sendout forecast which is then used for ascertaining the adequacy and cost of the company's supply plan.

To ascertain the adequacy of a company's forecast, the Department initially conducts a review of the company's weather data. Then, the Department focuses on the planning standards themselves, i.e., how the company arrived at its (1) normal year, (2) design year, and (3) design day standards.

1. Weather Data

a. Description

The Company stated that it purchased its weather data from the Northeast Regional Climate Center ("NRCC") as measured at the West Medway, Massachusetts weather station (Exh. BGC-1, at 5). The Company stated that it used daily weather data from the 33 year period 1970-2002 (id.).

In D.T.E. 00-81, the Department directed the Company, in its next filing, to increase the scope of its examination of its weather database to include at least 20 years. D.T.E. 00-81, at 4. In the instant filing, Blackstone analyzed 33 years of data, thereby complying with the Department's directive (id.). The Department finds that the Company's use of NRCC weather data in close proximity to Blackstone's service territory and that spans 30 years is appropriate

for input into its planning standards. The Department further finds that the Company's 30-year database from NRCC is comparable to other weather databases approved by the Department. KeySpan Energy Delivery New England, D.T.E. 01-105, at (2003); North Attleboro Gas Company, D.T.E.01-47, at 5 (2002); Fall River Gas Company, D.T.E. 99-26, at 5 (2000). Accordingly, the Department finds the weather database used by the Company in this filing is reviewable, appropriate, and reliable.

2. Design Day Standard

a. Description

In D.T.E. 00-81, Blackstone failed to develop its design day calculation with a reasonable statistical analysis of the recurrence probability. Blackstone Gas Company, D.T.E. 00-81 at 5 (2001). The Department directed the Company to refine the determination of its design day standard. id. at 21.

In the instant filing, Blackstone used a design day standard of 71 heating degree days to develop its sendout forecast (Exh. BGC-1, at 6). Based on a mean of 60 degree days and a standard deviation of 6 degree days, the Company used a 1 in 30 year probability of occurrence to yield a design day standard of 71 degree days (id.). The Company also calculated the probabilities of a 1 in 20, 40, 50, and 100 years occurrence (id.).

b. Analysis and Findings

Blackstone supported its decision to employ a 71 degree heating day standard by providing a quantitative justification for its method. The Company developed its design day calculation with a reasonable statistical analysis of the probability of recurrence, thereby

complying with the Department's directive. Therefore, the Department finds Blackstone's design day standard to be reviewable, reliable and appropriate.

3. Normal Year Standard

a. Description

In its previous long-range forecast filing, the Company did not provide a normal year standard. Consequently, the Department directed the Company to provide normal year standards in its future filings. D.T.E. 00-81, at 21.

In the instant filing, the Company has provided a normal year standard. The Company noted that the normal year degree day standard is 6,473 degree days (Exh. BGC-1, at 5). The normal year standard used to normalize the historical sendout was developed by taking the arithmetic mean of the 33 years of weather data (Exh. BGC-1, at 5).

b. Analysis and Findings

The use of the arithmetic average of historical degree day data to establish a normal year standard has previously been accepted by the Department. Fitchburg Gas and Electric Light Company, D.T.E. 98-55; Colonial Gas Company, D.P.U. 96-18, at 9; Colonial Gas Company, D.P.U. 93-13, at 10 (1995); 1992 Boston Gas Decision at 136; 1991 Colonial Gas Decision. Blackstone based its normal -year standard on an historical average of weather data that appear to be accurate, reliable and representative of weather conditions in its service territory. The Department finds the Company's normal-year standard to be reviewable, appropriate, and reliable because Blackstone based its normal year standard on a historical average of the actual data.

4. Design Year Standard

a. Description

_____In its previous long-range forecast, the Company did not provide a design year standard. Consequently, the Department directed Blackstone to include a design year standard in its next filing. D.T.E. 00-81, at 21. In the instant filing, Blackstone assumed a standard normal distribution of heating degree days (“HDD”) and calculated different scenarios of design years of one in 20, one in 40, one in 50, and one in 100 years (Exh. BGC-1, at 6). The Company further analyzed the data and concluded that a design year of 7,256 HDD, representing a probability of occurrence of one in 30 years is optimal for the Company (id.).

b. Analysis and Findings

_____In its 1986 Gas Generic Order, 14 DOMSC 95, 96-97, 104-105 (1986) (“Gas Generic Order”), the Siting Council notified gas companies that it would place renewed emphasis on design criteria “to ensure that those criteria bear a reasonable relationship to design conditions that are likely to be encountered.” The Department notes that Blackstone conducted an adequate analysis of the weather database, as directed by the Department in D.T.E. 00-81 (Exh. BGC-1 Appendix, Analysis of West Medway Weather Data). Therefore, the Department finds that the Company’s selection of a design year standard of one in 30 years is reviewable, appropriate and reliable for the size and nature of the Company.

5. Conclusions on Planning Standards

The Department reviews design criteria to ensure that there is a reasonable relationship between forecasted and actual conditions. See Gas Generic Order, 14 DOMSC 95, at 97

(1986). Specifically, the Department evaluates how and why a company selects particular design weather criteria, paying particular attention to the frequency with which design conditions are expected to occur, the effect of the design standard on the reliability of a company's forecast, and the cost of its supply plan (Id. at 96-97, 104-105).

In the instant filing, the Department concludes that Blackstone has presented:

(1) reviewable, appropriate, and reliable weather data for use in the development of its planning standards; (2) a reviewable, appropriate, and reliable design day standard; (3) a reviewable, appropriate, and reliable normal year standard; (4) a reviewable, appropriate, and reliable design year standard. Accordingly, the Department finds that the Company's overall planning standards are reviewable, appropriate and reliable.

D. Forecasting Methods

_____ 1. Residential, Commercial & School Forecast

a. Description

Blackstone developed its sales forecast at the customer rate class level. The Company's customers consist of residential heating, residential non-heating, commercial and school customer classes (Exh. BGC-1, at 10). The sales forecast is developed by projecting growth in number of customers, per rate class, using a least squares regression method. The regression that was ultimately chosen uses a simple linear trend to project customer growth. Regression equations were developed for the residential heating and commercial classes only because historical data showed no growth in the number of customers for the residential non-heating class and the sole school class customer is projected to remain on the system (id.).

The forecasted number of customers multiplied by the average use per customer yields the Company's forecast of demand. The actual year-end 2002 number of customers and actual 2002 sales (normalized for weather effects) serve as the basis for the use per customer calculation (id.). Projections for the constant use per customer factor for both residential heating and commercial customers were based on historical data. The commercial customers' use per customer is projected to increase at 0.27 percent (id.). The use per customer for the school rate was also kept constant over the forecast period because there are no projected additions to the facility or equipment. The normal sales are then projected by multiplying the projected number of customers by the normal use per customer (id.).

b. Analysis and Findings

The regression model developed by Blackstone incorporates sufficient detail to ensure reasonable results for planning purposes. The Company's development of individual sendout forecasts for each customer class is consistent with that approved by the Department in Blackstone Gas Company, D.T.E. 00-81. The use of a forecasting model that predicts the number of customers, as well as the use per customer, is consistent with the approach taken by other Massachusetts LDCs. North Attleboro Gas Company, D.T.E. 01-47, at 14 (2002); Fall River Gas Company, D.T.E. 99-26, at 12 (2000). Therefore, the Department finds Blackstone's forecast of sendout is reviewable, appropriate and reliable.

2. Transportation Forecasts

a. Description

In the Company's last forecast and supply plan, the Company did not develop a forecast of sales customers migrating to transportation service or new transportation customers. D.T.E. 00-81, at 9. The Department directed the Company to assess the possibility of customers migrating to transportation service in its next filing. Id.

In the instant filing, the Company forecasts zero firm transportation load during the forecast period (Exh. BGC-1, at 11). The Company states that only one customer has inquired about transportation service (id.) Blackstone receives interstate pipeline transportation service under Tennessee's FT-GS tariff (Exh. DTE 1-6). The Company does not pay demand charges under this tariff because all the transportation charges are volumetric (id.). Under the FT-GS tariff the Company is not required to assign pipeline capacity if a customer chooses transportation service (Exh. BGC-1, at 6). The Company states that it is unlikely a customer would request transportation service because such customer would be required to obtain pipeline capacity and incur demand charges (id.).

b. Analysis and Findings

_____ In an effort to open Massachusetts gas markets to competition, the Department ordered Massachusetts LDCs to offer a full menu of services, including transportation only service. Boston Gas Company, D.P.U. 92-250, at 10 (1993). The Department's expressed intent was allowing gas consumers an opportunity to reap the benefits of increased competition in the natural gas marketplace. The Department recognizes that due to the size and nature of

Blackstone's customer base, a forecast of zero migration is reasonable. The Department directs the Company to monitor its transportation migration service for future filings.

3. Design Day Sendout Forecast

a. Description

The Company assumed that the peak day sendout will increase at the same rate as the weather normalized historic average annual sendout (see Exh. BGC-1 Table G-23).

Consequently, the Company's peak design day sendout increases by an average of 3.8 percent per year from years 2003-2008 (id.). This resulted in an increase from 989 dekatherms ("Dth") in year 2003 to 1,175 Dth in year 2008 (Exh. BGC-1 Table G-23).

b. Analysis and Findings

In D.T.E. 00-81, the Department directed Blackstone to provide more historical data on peak day sendout in its next forecast and supply plan filing. D.T.E. 00-81, at 21. The Company has complied with this directive by including ten years of supporting data (see Exh. BGC-1 Table G-23). Therefore, the Department finds that the Company's design day sendout forecast is reviewable, reliable, and appropriate.

4. Normal and Design Year Sendout Forecast

a. Description

The Company prepared separate normal year sendout forecasts for residential heating, residential non-heating, commercial and school classes for the planning period (see Exh. BGC-1 Table G-5). The normal year sendout forecast increased annually by approximately 2.2 per cent (id.). Over the five-year forecast period, total normal sendout rose by 11.1 per cent from

11,781 thousand cubic feet (“Mcf”) in 2003 to 13,096 Mcf in 2008 (id.).

Similar to the construction of the design day sendout, Blackstone’s design year sendout forecast is also based on the weather normalized historic average annual sendout and yields a 2.5 per cent annual increase during the planning period (Exh. BGC-1 Table G-5). Over the course of the five year forecast period, total design sendout increases by 12.5 per cent from 13,798 Mcf in 2003 to 15,227 Mcf in 2008 (id.).

b. Analysis and Findings

The Department notes that Blackstone’s approach in determining the design year sendout is consistent with Department’s requirement that the forecast contain accurate and complete historical data. G.L. c. 164, §69I; 980 C.M.R. § 7.02 (9)(b). Blackstone has distinguished between customer classes in the design year sendout and provided supporting data concerning the design year annual growth rate (see Exh. BGC-1 Table G-5).

Accordingly, the Department finds that the design year sendout forecast is reviewable, appropriate, and reliable.

5. Conclusions on the Sendout Forecast

The Department has found the planning standards by Blackstone to be reviewable, appropriate, and reliable, given the size and nature of the Company. The Department has also found that the normal year sendout forecast is reviewable, appropriate, and reliable. Further, the Department has found that the design day and design year sendout forecasts are reviewable, appropriate, and reliable. Therefore, the Department finds the 2003-2008 Blackstone sendout forecast reviewable, appropriate, and reliable.

III. ANALYSIS OF THE SUPPLY PLAN

A. Standard of Review

The Department is required to ensure “a necessary energy supply for the Commonwealth with a minimum impact on the environment at the lowest possible cost”. G.L. c. 164, § 69I. In fulfilling this mandate, the Department reviews a gas company’s supply planning process and the two major aspects of every utility’s supply plan – adequacy and cost.² Commonwealth Gas Company, D.P.U. (1995), at 53; Colonial Gas Company, D.P.U. 93-13, at 49-50 (1995); 1992 Boston Gas Decision, 25 DOMSC at 201.

The Department reviews a gas company’s five-year supply plan to determine whether the plan is adequate to meet projected normal year, design year, design day, and cold-snap firm sendout requirements.³ In order to establish adequacy, a gas company must demonstrate that it has an identified set of resources which meet its projected sendout under a reasonable range of contingencies. If a company cannot establish that it has an identified set of resources which meet sendout requirements under a reasonable set of contingencies, the company must then demonstrate that it has an action plan which meets projected sendout in the event that the identified resources will not be available when expected. Colonial Gas Company, D.P.U.

² G.L. C.164, § 69I also directs the Department to balance cost considerations with environmental impacts in ensuring that the Commonwealth has a necessary supply of energy. Colonial Gas Company, D.P.U. 96-18, at 31; Commonwealth Gas Company, D.P.U. (1995), at 53; Colonial Gas Company, D.P.U. 93-13, at 50 (1995).

³ The Department’s review of reliability, another necessary element of a gas company’s supply plan, is included within the Department’s consideration of adequacy. See Colonial Gas Company, D.P.U. 93-13, at 50, n.22 (1995); 1992 Boston Gas Decision, 25 DOMSC at 201, n.87; Boston Gas Company, 16 DOMSC 173, at 214 (1987).;

96-18, at 31; Commonwealth Gas Company, D.P.U. 92-159, at 54 (1995); Colonial Gas Company, D.P.U. 93-13, at 50 (1995).

In its review of a gas company's supply plan, the Department reviews a company's overall supply planning process. An appropriate supply planning process is essential to the development of an adequate, low-cost, and low environmental impact resource plan. Pursuant to this standard, a gas company must establish that its supply planning process enables it to (1) identify and evaluate a full range of supply options, and (2) compare all options including conservation and load management ("C&LM") on an equal footing. Colonial Gas Company, D.P.U. 96-18, at 31; Commonwealth Gas Company, D.P.U. 92-159, at 54 (1995); Colonial Gas Company, D.P.U. 93-13, at 51 (1995); 1992 Boston Gas Decision, 25 DOMSC at 202.⁴

Finally, the Department reviews whether a gas company's five year supply plan minimizes cost. A least-cost supply plan is one that minimizes costs subject to trade-offs with adequacy and environmental impact. Commonwealth Gas Company, D.P.U. 92-159, at 55 (1995); Colonial Gas Company, D.P.U. , at 51-52 (1995); 1992 Boston Gas Decision, 25 DOMSC at 203. A gas company must establish that application of its supply planning process has resulted in the addition of resource options that contribute to a least-cost plan.

⁴ G.L. c. 164, § 69I, requires a utility company to demonstrate that its long-range forecast "include[s] an adequate consideration of conservation and load management." Initially, the Siting Council reviewed gas conservation and load management efforts for cost minimization. In the 1988 Commonwealth Gas Decision, 17 DOMSC at 122-126, the Siting Council expanded its review to require that a gas company demonstrate that it has reasonably considered conservation and load management programs as an option to help ensure that the company has adequate supplies to meet projected sendout requirements.

B. Previous Supply Plan Review

Blackstone's previous Forecast and Supply plan, Blackstone Gas Company, D.T.E. 00-81, was filed on October 25, 2000. After review, the Department determined that Blackstone's resources exceeded the anticipated requirements for the forecast period in both normal and design years. D.T.E. 00-81, at 15.

C. Base Case Supply Plan Resources

In this section, the Department reviews the Company's supply plan and identifies elements which represent potential contingencies affecting the adequacy of supply or which potentially impact the cost of the supply plan. The Department reviews the adequacy of the Company's supply plan, the Company's supply planning process, and the cost of the supply plan.

1. Gas Supplies

The Company states that its firm gas supplies are provided through a single contract five year contract with Duke Energy ("Duke") (Exh. BGC-1, at 11). The contract commenced in 2000 and terminates on October 31, 2005 (id. at 13). The gas contract provides both base load and peaking supplies to the Company's customers (id. at 12). The Company has rights to 518 MMBtu/day of transportation and storage on the Tennessee Gas Pipeline and 518 MMBtu/day from Duke to be used for the baseload portion of the contract (id. at 12). Under the gas contract, Blackstone is also entitled to an additional 1,000 MMBtu/day from Duke during the peaking winter period (id. at 12).

2. Local Storage and Production Facilities

Blackstone has no local storage or production capabilities.

3. Demand Side Management

In its last forecast and supply plan filing, the Company indicated that the administrative costs of a demand side management (“DSM”) program would be overwhelming due to the Company’s small size and limited potential for savings. D.T.E. 00-81 at 15. At that time, the Department noted that the Company’s size may, in fact, limit opportunities to participate in DSM programs. *Id.* at 15. However, the Department continues to encourage the Company to explore DSM related opportunities.

4. Comparison of Current Resources and Projected Requirements

The Company’s filing indicates that contracted resources currently exceed the anticipated requirements for the forecast period (Exh. BGC-1, at 12, Tables G-22s and 23). Accordingly, the Department finds that Blackstone has an identified set of resources which meet its projected sendout figures.

D. Adequacy of the Supply Plan

In reviewing the adequacy of a gas company’s five-year supply plan, the Department examines whether the company’s base-case resource plan is adequate to meet its projected normal year, design year, design day firm sendout requirements. The Department then examines whether the company’s plan is adequate to meet its sendout requirements if certain supplies become unavailable. D.P.U. 93-13, at 62 (1995); 1992 Boston Gas Decision at 212-213; 1987 Berkshire Decision at 76. If the supply plan is not adequate under the base-case resource plan nor the contingency of existing or new supplies becoming available, then the

company must establish that it has an action plan which will ensure that supplies will be obtained to meet its projected firm sendout requirements. See Colonial Gas Company, D.P.U. 93-13, at 62 (1995); 1992 Boston Gas Decision at 212-213; 1987 Berkshire Decision at 76.

1. Design Day Adequacy

a. Description

Blackstone plans to meet its design day needs through firm gas supplies from Duke Energy transported via the Tennessee Gas Pipeline (Exh. BGC-1, at 12). Blackstone's forecasted peak day sendout requirements are projected to increase from 751 MMBtu in the 2003-2004 heating season to 1,005 MMBtu in 2008 (Exh. BGC-1 Table G-5).

b. Analysis and Findings

Blackstone's existing peaking quantity of 1,518 MMBtu/day allows the Company to meet its forecasted peak day demand (Exh. BGC-1 Table G-23). Accordingly, the Department finds that Blackstone has established that its design day supply plan is adequate to meet the Company's forecasted sendout requirements throughout the forecast period.

2. Normal and Design Year Adequacy

a. Description

Blackstone plans to meet its normal and design heating season needs through the gas contract with Duke (Exh. BGC-1, at 12). Over the forecast period for the year 2003-2004, the Company has 287,220 MMBtu currently available with a maximum of 340,070 MMBtu available (id., at 12).

b. Analysis and Findings

The Department finds that the Company has established that it has adequate supplies to meet its normal year and design year forecasted sendout requirements throughout the forecast period.

3. Conclusions on the Adequacy of the Supply Plan

Blackstone has demonstrated that its normal and design year and design day supply plans are adequate to meet the Company's firm sendout requirements throughout the forecast period. Accordingly, the Department finds that Blackstone has established that it has adequate resources to meet its firm sendout requirements throughout the forecast period.

E. Supply Planning Process

1. Standard of Review

The Department has determined that a supply planning process is critical in enabling a utility company to formulate a resource plan that achieves an adequate, least-cost and low environmental impact supply for its customers. Berkshire Gas Company, D.P.U. 94-14, at 36 (1994); Colonial Gas Company, D.P.U. 93-13, at 70 (1995); 1992 Boston Gas Decision at 223; Boston Gas Company, 19 DOMSC 332, 388 (1990) ("1990 Boston Gas Decision"). The Department has noted that an appropriate supply planning process provides a gas company with an organized method of analyzing options, making decisions, and re-evaluating decisions in light of changed circumstances. Berkshire Gas Company, D.P.U. 94-14, at 36; Colonial Gas Company, D.P.U. 93-13, at 70 (1995); 1992 Boston Gas Decision at 223; 1990 Boston Gas Decision at 388. For the Department to determine that a gas company's supply planning process is appropriate, the process must be fully documented. Colonial Gas Company,

D.P.U. 93-13, at 70 (1995); 1992 Boston Gas Decision at 223; 1987 Berkshire Gas Decision at 84.

The Department's review of a gas company's process for identifying and evaluating resources focuses on whether the company: (1) has a process for compiling a comprehensive array of resource options including pipeline supplies, supplemental supplies, DSM, and other resources; (2) has established appropriate criteria for screening and comparing resources within a particular supply category; (3) has a mechanism in place for comparing all resources, including DSM, on an equal basis, i.e., across resource categories, and (4) has a process that as a whole enables the company to achieve an adequate, least-cost, and a low environmental impact supply plan. Fitchburg Gas and Electric Light Company, D.P.U. 94-140, at 37; Colonial Gas Company, D.P.U. 93-13, at 70 (1995); 1992 Boston Gas Decision at 224; 1990 Boston Gas Decision at 54-55.

As set forth above, the Department reviews a gas company's five-year supply plan to determine whether it minimizes cost, subject to trade-offs with adequacy and environmental impact. Fitchburg Gas and Electric Light Company, D.P.U. 94-140, at 37; Colonial Gas Company, D.P.U. 93-13, at 88 (1995); 1992 Boston Gas Decision at 236; 1987 Boston Gas Decision at 214. A gas company must establish that the application of its supply planning process, including adequate consideration of DSM and consideration of all resource options on an equal basis, has resulted in the addition of resource options that contribute to a least-cost supply plan. Fitchburg Gas and Electric Light Company, D.P.U. 94-140, at 37; Colonial Gas Company, D.P.U. 93-13, at 83 (1995); 1992 Boston Gas Decision at 233; Berkshire Gas

Company, 14 DOMSC 107, 115 (1986). As part of this review, the Department requires gas companies to show, at a minimum, that they have completed comprehensive cost studies comparing the costs of a reasonable range of practical supply alternatives prior to selection of major new resources for their supply plans. Fitchburg Gas and Electric Light Company, D.P.U. 94-140, at 37; Colonial Gas Company, D.P.U. 93-13, at 89 (1995); 1992 Boston Gas Decision at 236; 1986 Gas Generic Order at 100-102.

2. Identification and Evaluation of Resource Options

a. Supply Side Resources

The Company currently receives gas supply from Duke Energy pursuant to a contract expiring on October 31, 2005 (Company Brief at 3). The Company has not yet taken steps to obtain supplies after the expiration of the current gas supply contract. Blackstone states that it is currently unable to gauge the level of interest in an RFP process at this time because of a number of economic factors that dictate supplier interest, including the condition of the energy marketing industry (Exh. DTE 1-7). The Company states that it will evaluate its supply options during the summer of 2004 (BGC-1, at 13; Exh. DTE1-7).

b. Analysis and Findings

The Department has previously found the RFP process Blackstone uses to identify alternative suppliers to be appropriate. D.T.E. 00-81, at 20. The Company has indicated that it will begin

the RFP process in the summer of 2004. Therefore, the Department finds that Blackstone has formulated an appropriate process for identifying possible supply options, and has developed appropriate criteria for screening and comparing supply resources.

3. Conclusions on the Supply Planning Process

The Department concludes that Blackstone has developed appropriate criteria for screening and comparing supply-side resources, including the use of both price and non-price criteria to determine which commodity and options to pursue. The Department notes that Blackstone's supply planning process, as a whole, indicates that it selected the resource option that contributes to the least cost supply plan.

4. Conclusions on the Supply Plan

The Department has found that Blackstone has established that its normal year, design year and design day supply plans are adequate to meet the Company's forecasted sendout requirements throughout the forecast period.

IV. CONCLUSION

The Department hereby approves the 2003-2008 sendout forecast and supply plan of Blackstone Gas Company.

V. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That Blackstone Gas Company's petition for approval of its forecast and supply plan be and hereby approved

FURTHER ORDERED: That Blackstone Gas Company follow all directives contained herein; and it is

FURTHER ORDERED: That Blackstone Gas Company shall file its next long-range forecast and supply plan with the Department by July 31, 2005.

By Order of the Department

Paul G. Afonso, Chairman

W. Robert Keating, Commissioner

Eugene J. Sullivan , Jr. Commissioner

Deirdre K. Manning, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).